



May 22, 2008 04:30 PM Eastern Daylight Time

Arizona's Infrastructure Needs to Cost a Half-Trillion Dollars over Next 25 Years

The Arizona Investment Council (AIC) Commissioned the First Major Infrastructure Study Integrating Energy, Water, Transportation and Telecommunications.

The L. William Seidman Research Institute of the W.P. Carey School of Business at Arizona State University with Assistance of Elliott D. Pollack & Company Prepared the In-Depth Study.

PHOENIX--([BUSINESS WIRE](#))--To keep pace with the State's projected explosive population growth over the next quarter of a century, Arizona will need to invest a half-trillion dollars in infrastructure — energy, water, transportation and telecommunications — according to a major infrastructure study released today by the Arizona Investment Council (AIC). Between 2008 and 2032, the projected change in Arizona's population is 4.2 million, a 65 percent increase.

"The fact is we are not spending enough on infrastructure to keep pace with growth. In some areas, our infrastructure is wearing out faster than we can replace or maintain it," says Gary Yaquinto, president of AIC, at the group's annual meeting held today in Phoenix.

"This study provides hard evidence that infrastructure investment must be made — and the amount of that investment is staggering," says Yaquinto. "Decisions must be made now, not five or ten years from now. We must bring to the decision-making table our policymakers, regulators, and our business and community leaders, and we must be open and forthright with the public regarding costs as we move forward. This is the only way we can ensure Arizona's economic competitiveness and quality of life."

According to Tim James, Ph.D., Director, Research & Consulting, of ASU's Seidman Research Institute, the road ahead for Arizona is difficult but it is not impassable. "One of the principal aims of this study is to initiate and add to the level of debate about pressing infrastructure concerns," he said. "A major issue is how public and private sectors can fund the enormous cost of the State's infrastructure requirements over the next quarter century."

Some key findings from the infrastructure study:

Energy

- Over the next 25 years, electricity demand from the growing population will increase by about 85 percent.
- The total capital investment in the energy sector (electricity, natural gas, petroleum and other fuels) required to serve Arizona's growing population to 2032 is between \$74 billion and \$86.5 billion depending upon the mix of generation technologies employed.
- The price of electricity will have to rise between 2.54 percent and 2.87 percent a year over the next 25 years in order to compensate producers and distributors for the full costs of meeting Arizona's electricity demands.

Telecommunications

- Access to high quality telecommunication infrastructure is vitally important for Arizona's economy and its residents' quality of life. Yet, a significant minority of the State's population does not even have access to basic broadband internet. To provide broadband connectivity to the currently un-served populations of Arizona will cost between \$1 billion and \$2.2 billion.
- Not having a state-of-the-art telecommunications infrastructure is a detractor for businesses and residents when deciding to locate in Arizona. The estimate to provide fiber to home (FTTH) — the "gold standard" level of service — to all households in Arizona would cost an additional \$23 billion.
- Providing high-speed broadband access to all areas of Arizona may require the public and private sectors to act in concert to improve the business case for provisioning broadband where population density is low, or where costs are high.

Transportation

- The bill for improving Arizona's transportation network — roadways, highways, transit system, airways and railways — to meet the rapidly growing demand is huge. The total capital cost over the 25-year study period is about \$253 billion to \$311 billion. About 79-83 percent of the bill will be for roadways and highways.
- One factor that could potentially drive costs even higher is the rising cost of construction.
- There is a huge gap between the money that current funding mechanisms can generate and this enormous infrastructure bill. The Arizona Department of Transportation estimates within seven years the State will be in a "preservation only" mode, meaning that incoming revenues will be sufficient only to support current operations and maintenance costs. There will be no money available to fund capital projects from current mechanisms.

Water

- The era of "cheap water" in Arizona has passed; water delivery and wastewater services are going to have to become more expensive.
- Arizona needs to spend in excess of \$109 billion over the next 25 years on water and wastewater infrastructure. Current funding sources will fall some \$30 billion short of what is necessary.
- If user fees alone are used to close the funding gap, the required one-time price increase is about 55 percent in the water sector and 62 percent in the wastewater sector. These one-time increases translate to annual rate increases of 3.0 percent and 3.3 percent, respectively, over the 25-year period.

About AIC

AIC is a not-for-profit organization committed to working with business leadership, policymakers, community leaders and educators to improve the investment climate in Arizona and to supporting the planning and development of essential infrastructure necessary to provide for a projected population of 10.5 million Arizonans by 2032. AIC is comprised of approximately 5,500 debt and equity investors in Arizona utility companies. The organization advocates on behalf of its member investors before regulatory and legislative bodies.

Contacts

Arizona Investment Council
Gary Yaquinto, 602-257-9200
Cell: 602-524-5344
or
The Kur Carr Group
Sally Kur, 602-253-5858
Cell: 602-317-3042
Steve Carr, 602-253-5838
Cell: 602-317-3040

